



AIB issues Trading Update 28th May 2002

Allied Irish Banks p.l.c ("AIB") is issuing the following update on trading prior to its half-year close period.

The strong performance at the start of the year, referred to at our annual results presentation, is continuing. In the immediate aftermath of the revelation of fraudulent foreign exchange trading at Allfirst there was some reduced business momentum. However our business is now steadily recovering from the damage inflicted by the fraud.

The outlook for this year underpins our previously stated target of mid single digit growth in adjusted earnings per share for 2002 and we expect to achieve that target at the interim stage. We are focused on accelerating the progress already made towards our stated goal of being a model 21st century community bank. Our aim is to deliver a superior and distinctive service to our customers wherever we operate and fully realise the considerable potential to increase revenues in all our franchises from our core and dependable relationship business.

A programme of work is well underway to implement all of the actions decided on by our Board arising from the Allfirst fraud, as well as to meet the requirements of our regulators. This includes a comprehensive review of AIB's entire risk and governance organisation. We are determined to execute this programme speedily and to validate that our risk organisation and governance culture meet the highest expectations of our shareholders and regulators.

Ireland

Expected economic growth of 3.5% this year and favourable demographic trends have created a positive operating environment. Our franchise remains strong and our increased research and focus on customer needs is enabling us to secure a greater portion of their financial services requirements. For example, we have opened more than 277,000 Government sponsored Savings and Investment Accounts (SSIA) since the scheme was launched – making us the number one supplier and exceeding our traditional deposit market share. Our Home Mortgage activity has almost doubled over the comparative period last year and we are continuing to grow our book by close to 3% more than the rest of the market. Lending demand is also good across a range of commercial and corporate sectors. Overall in Ireland we expect low teens loan growth in 2002 and deposits are increasing in line with expectations.

Great Britain and Northern Ireland

The closer alignment of our network and service offering to the needs of our customers, combined with the redeployment of staff to customer relationship roles, is showing positive results. Our business pipeline in Great Britain is currently at record levels, led by strong commercial and corporate loan demand. In Northern Ireland, commercial and retail lending activity is ahead of expectations. In both locations, deposits are increasing at satisfactory levels.

U.S.A

Our Allfirst franchise is showing resilience and encouraging trends following the losses incurred by the foreign exchange fraud. Average core deposits are up on the comparative period last year and have remained broadly stable since the announcement of the fraud. Loan volumes, including the impact of run-off portfolios, are in line with expectations with probable low single digit percentage growth for the full year. Organic growth in revenues and net income remain our priority and the

appointment last year of local market managers with responsibility for total customer profitability is working well.

Our Allied Irish America franchise, focused on the not for profit sector, is generating strong increases in revenues and performing ahead of expectations.

Poland

Operating profit is expected to improve significantly this year. The prevailing economic conditions remain difficult but we expect loan loss provisions to be lower than in 2001 on an underlying basis. Our significant investment programme, including the build out of our branch and ATM network, is nearing completion. Implementation of our new branch technology and organisation model is well underway and 700,000 accounts have already been converted. This is facilitating the achievement of our cost reduction programme and implementation in all branches will be completed by early 2003. In the current low growth macroeconomic environment, we are focusing our business development efforts on deposits, investments and secured lending products

Margins

Our balance sheet is well positioned but falling rates have compressed liability spreads. Overall, we expect mid teen basis points attrition in the net interest margin this year.

Asset quality

As previously indicated, we expect the provision charge for this year to be around 35 basis points of average loans. Provision coverage, including a strong level of general provisions, remains good.

Non-interest income

We are targeting high single digit growth this year. Our banking activities will be the key driver and corporate banking fees, electronic banking income in Poland and Community Counselling Services in the USA are all performing particularly strongly. The impact of the SSIA scheme has driven up Ark Life Annual Premium Equivalent (APE) sales very significantly in the year to date. Other equity linked products and Asset Management revenues continue to be constrained by difficult investment markets.

Costs

Operating efficiency is a priority. Cost growth is expected to moderate for the full year to around 6% although the interim figure will be higher. Productivity gains are being achieved across the group and we continue to target a reduction in cost/income ratios for all divisions in 2002.

AIB Group results for the 6 months to 30 June 2002 will be announced on 31 July 2002.

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